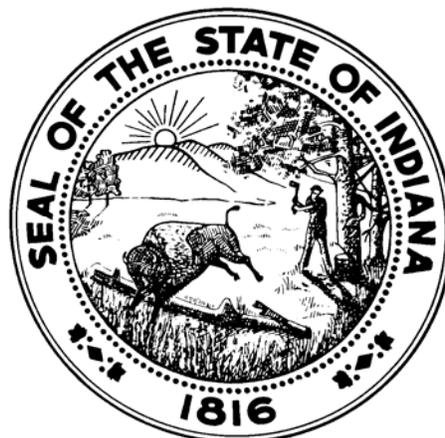


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY
POSEY COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
03/05/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	6-7
Statement of Cash Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	12-13
Statement of Cash and Investments – Fiduciary Funds.....	14-15
Notes to Financial Statements	16-25
Required Supplementary Information:	
Schedule of Funding Progress	26
Supplementary Information:	
Schedule of Capital Assets.....	27
Schedule of Long-Term Debt.....	28
Audit Results and Comments:	
Overdrawn Cash Balances	29
Use of Form SA-6, Extra-Curricular Ledger.....	29
Textbook Rental Charges	29
Transfer Tuition Form 515	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards.....	34-35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs.....	37
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	38
Exit Conference.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol A. Lupfer	07-01-04 to 06-30-07
Superintendent of Schools	John D. Wood	07-01-04 to 06-30-07
President of the School Board	Larry Lewis	01-01-04 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of North Posey County (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 31, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 31, 2007



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

We have audited the financial statements of the Metropolitan School District of North Posey County (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 31, 2007

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,939,251
Restricted assets:	
Cash and investments	<u>264,705</u>
Total assets	<u>\$ 2,203,956</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 264,705
Unrestricted	<u>1,939,251</u>
Total net assets	<u>\$ 2,203,956</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,156,248
Restricted assets:	
Cash and investments	<u>204,088</u>
Total assets	<u>\$ 2,360,336</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 204,088
Unrestricted	<u>2,156,248</u>
Total net assets	<u>\$ 2,360,336</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,574,070	\$ -	\$ 56,390	\$ (5,517,680)
Support services	6,223,480	469,443	139,167	(5,614,870)
Community services	7,079	-	15,150	8,071
Nonprogrammed charges	648,418	-	-	(648,418)
Debt service	1,274,759	-	-	(1,274,759)
Total governmental activities	\$ 13,727,806	\$ 469,443	\$ 210,707	(13,047,656)
General receipts:				
Property taxes				6,189,741
Other local sources				902,982
State aid				5,921,700
Grants and contributions not restricted				699,383
Sale of property, adjustments, and refunds				178,322
Investment earnings				20,501
Intergovernmental transfers				899,765
Total general receipts and intergovernmental transfers				14,812,394
Change in cash and investments				1,764,738
Net assets - beginning				439,218
Net assets - ending				\$ 2,203,956

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,313,572	\$ -	\$ 38,044	\$ (5,275,528)
Support services	6,270,097	472,033	170,176	(5,627,888)
Community services	11,326	-	8,550	(2,776)
Nonprogrammed charges	685,388	-	-	(685,388)
Debt service	1,468,143	-	-	(1,468,143)
Total governmental activities	\$ 13,748,526	\$ 472,033	\$ 216,770	(13,059,723)
General receipts:				
Property taxes				4,580,095
Other local sources				854,894
State aid				6,216,732
Grants and contributions not restricted				642,594
Sale of property, adjustments, and refunds				305,079
Investment earnings				52,739
Intergovernmental transfers				563,970
Total general receipts and intergovernmental transfers				13,216,103
Change in cash and investments				156,380
Net assets - beginning				2,203,956
Net assets - ending				\$ 2,360,336

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,268,979	\$ 605,571	\$ -	\$ 1,380,284	\$ 1,420,255	\$ 310,659	\$ 595,857	\$ 7,581,605
Intermediate sources	555	-	-	-	-	-	506	1,061
State sources	5,965,783	-	-	-	-	-	218,580	6,184,363
Federal sources	-	-	-	-	-	-	647,428	647,428
Sale of property, adjustments and refunds	49,360	21,434	-	-	13,711	50,946	42,871	178,322
Intergovernmental transfers	445,056	-	265,000	-	-	-	189,709	899,765
Total receipts	<u>9,729,733</u>	<u>627,005</u>	<u>265,000</u>	<u>1,380,284</u>	<u>1,433,966</u>	<u>361,605</u>	<u>1,694,951</u>	<u>15,492,544</u>
Disbursements:								
Current:								
Instruction	5,109,240	-	-	-	-	-	464,830	5,574,070
Support services	3,983,983	642,588	-	-	686,492	106,849	803,568	6,223,480
Community services	-	-	-	-	-	-	7,079	7,079
Nonprogrammed charges	297,997	15,198	-	36,859	135,859	8,088	154,417	648,418
Debt services	4,680	-	-	1,091,137	-	-	178,942	1,274,759
Total disbursements	<u>9,395,900</u>	<u>657,786</u>	<u>-</u>	<u>1,127,996</u>	<u>822,351</u>	<u>114,937</u>	<u>1,608,836</u>	<u>13,727,806</u>
Excess (deficiency) of total receipts over (under) total disbursements	333,833	(30,781)	265,000	252,288	611,615	246,668	86,115	1,764,738
Cash and investments - beginning	(604,566)	12,401	35,000	74,997	412,444	47,921	461,021	439,218
Cash and investments - ending	<u>\$ (270,733)</u>	<u>\$ (18,380)</u>	<u>\$ 300,000</u>	<u>\$ 327,285</u>	<u>\$ 1,024,059</u>	<u>\$ 294,589</u>	<u>\$ 547,136</u>	<u>\$ 2,203,956</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,639,516	\$ 504,382	\$ -	\$ 983,766	\$ 880,491	\$ 129,606	\$ 820,995	\$ 5,958,756
Intermediate sources	555	-	-	-	-	-	450	1,005
State sources	6,254,731	-	-	-	-	-	179,328	6,434,059
Federal sources	-	-	-	-	-	-	642,038	642,038
Sale of property, adjustments and refunds	14,629	10,041	-	-	216,877	-	63,531	305,078
Intergovernmental transfers	177,067	135,000	150,000	-	-	-	101,903	563,970
Total receipts	<u>9,086,498</u>	<u>649,423</u>	<u>150,000</u>	<u>983,766</u>	<u>1,097,368</u>	<u>129,606</u>	<u>1,808,245</u>	<u>13,904,906</u>
Disbursements:								
Current:								
Instruction	4,869,796	-	-	-	-	-	443,776	5,313,572
Support services	3,376,369	624,563	-	-	1,274,687	205,145	789,333	6,270,097
Community services	-	-	-	-	-	-	11,326	11,326
Nonprogrammed charges	340,544	-	-	7,522	75,000	-	262,322	685,388
Debt services	15,811	-	-	1,100,125	-	-	352,207	1,468,143
Total disbursements	<u>8,602,520</u>	<u>624,563</u>	<u>-</u>	<u>1,107,647</u>	<u>1,349,687</u>	<u>205,145</u>	<u>1,858,964</u>	<u>13,748,526</u>
Excess (deficiency) of total receipts over (under) total disbursements	483,978	24,860	150,000	(123,881)	(252,319)	(75,539)	(50,719)	156,380
Cash and investments - beginning	(270,733)	(18,380)	300,000	327,285	1,024,059	294,589	547,136	2,203,956
Cash and investments - ending	<u>\$ 213,245</u>	<u>\$ 6,480</u>	<u>\$ 450,000</u>	<u>\$ 203,404</u>	<u>\$ 771,740</u>	<u>\$ 219,050</u>	<u>\$ 496,417</u>	<u>\$ 2,360,336</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 5,000
Bonds and loans	<u>3,650,000</u>	<u>-</u>
Total additions	<u>3,650,000</u>	<u>5,000</u>
Deductions:		
Instruction	-	5,753
Support services	2,759,608	166
Nonprogrammed charges	<u>429,352</u>	<u>-</u>
Total deductions	<u>3,188,960</u>	<u>5,919</u>
Excess (deficiency) of total additions over (under) total deductions	461,040	(919)
Cash and investments - beginning	<u>-</u>	<u>30,652</u>
Cash and investments - ending	<u>\$ 461,040</u>	<u>\$ 29,733</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 2,500
Deductions:		
Instruction	-	20,807
Support services	138,636	1,027
Total deductions	138,636	21,834
Deficiency of total additions under total deductions	(138,636)	(19,334)
Cash and investments - beginning	461,040	29,733
Cash and investments - ending	\$ 322,404	\$ 10,399

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 461,040	\$ 29,733	\$ 26,582
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 461,040	\$ 29,733	

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Cash and investments	\$ 322,404	\$ 10,399	\$ 13,028
	\$ 322,404	\$ 10,399	
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 322,404	\$ 10,399	
	\$ 322,404	\$ 10,399	

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: North Spencer County School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with the New Harmony Town and Township Consolidated Schools and Metropolitan School District of Mount Vernon in a joint venture to operate the Posey County Special Services Cooperative which was created to provide instruction for handicapped children between the ages of 3 through 21 whose parents/guardians reside in the geographical area served by the participating school corporations. The School Corporation is obligated by contract to remit its proportionate share, as determined by the average daily attendance of each district, semi-annually to supplement the Posey County Special Services Cooperative. Complete financial statements for the Special Services Cooperative can be obtained from Posey County Special Services Cooperative, 1105 West 4th Street, P.O. Box 290, Mt. Vernon, IN 47620.

The School Corporation is a participant in the Southern Indiana Education Center created to allow the participating school corporations to cooperate and share certain programs and services which they collectively may implement. The School Corporation is obligated by contract to remit a proportional share annually to supplement the Southern Indiana Education Center. Complete financial statements can be obtained from the Southern Indiana Education Center, 1102 Tree Lane Drive, Jasper, IN 47546.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the retirement/severance bonds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individuals residing within the school corporation district limits.

Agency funds account for assets held by the School Corporation as an agent for the school corporation employees and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

School Corporation certified employees earn sick leave at the rate of 10 days per year. Noncertified employees earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated to a maximum of 192 days for certified employees and 165 days for noncertified employees. Accumulated sick leave is paid to employees upon retirement.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

School Corporation employees earn family illness leave at the rate of 3 days per year. Family illness leave does not accumulate from year to year.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave converts to sick leave at year end.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute.

Fund	Amount
General	\$ 270,733
Transportation Operating	18,380

Cash and investment deficits arose primarily from disbursements exceeding receipts due to not receiving state and local distributions on schedule. These deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation had no investments.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into a capital lease with North Posey School Building Corporation and Metropolitan School District of North Posey County Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$1,014,500.

C. Subsequent Events

On July 20, 2006, the School Corporation signed an agreement with Deig Brothers Lumber and Construction Co. Inc., for \$646,505 for the renovation of the South Terrace Elementary School.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 43,936
Interest on net pension obligation	(4,616)
Adjustment to annual required contribution	5,260
Annual pension cost	44,580
Contributions made	51,872
Decrease in net pension obligation	(7,292)
Net pension obligation, beginning of year	(63,664)
Net pension obligation, end of year	\$ (70,956)
Contribution rates:	
School Corporation	5.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	32 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 45,738	122%	\$ (56,284)
	06-30-04	41,411	118%	(63,664)
	06-30-05	44,580	125%	(70,956)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$136,677, \$125,902, and \$108,065, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 794,413	\$ 832,130	\$ (37,717)	95%	\$ 757,167	(5%)
07-01-04	814,259	861,576	(47,317)	95%	799,516	(6%)
07-01-05	855,619	867,250	(11,631)	99%	857,279	(1%)

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 22,001
Buildings	16,943,900
Improvements other than buildings	138,700
Machinery and equipment	<u>4,093,319</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 21,197,920</u></u>

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The Metropolitan School District of North Posey County has entered into the following debt obligations:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
2002 School Facilities	\$ 4,965,000	\$ 120,000
2003 School Facilities	3,735,000	180,000
2004 School Facilities	1,410,000	290,000
Notes and loans payable	157,031	75,000
Bonds payable:		
General obligation bonds:		
2004 pension	3,415,000	190,000
 Total governmental activities long-term debt	 <u>\$ 13,682,031</u>	 <u>\$ 855,000</u>

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The General Fund and Transportation Operating Fund were overdrawn in the 2004-2005 school year. A similar comment appeared in the prior Audit Report B25119.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

USE OF FORM SA-6, EXTRA-CURRICULAR LEDGER (Applies to South Terrace Elementary School and North Elementary School)

The Extra-Curricular Account Treasurer does not properly use Form SA-6, Ledger, to maintain the activity of the different types of funds. Approximately 60% of all transactions in the 2004-2005 and 2005-2006 school years, were recorded in a Miscellaneous Fund.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TEXTBOOK RENTAL CHARGES

The rental charge for textbooks was computed at 28% of the original retail price of the textbook.

Indiana Code 20-26-12-2 states in part: "(a) Each governing body may purchase from a contracting publisher, at the net contract price or at a subsequent lower price, any textbook adopted by the State Board of Education and selected by the proper local officials, and may rent these textbooks to students enrolled in any public or nonpublic school which is in compliance with the minimum certification standards of the state board of education and is located within the attendance unit served by the governing body, at an annual rental not to exceed twenty-five percent (25%) of the retail price of the textbook."

TRANSFER TUITION FORM 515

The Transfer Tuition Form 515 presented for audit was not correctly completed for both school years audited. The expenditures on page one were incorrect for line one. Creating amounts still owed by parents and some parents are due refunds. A similar comment appeared in the prior Audit Report B25119.

School Form 515 is the Transfer Tuition Statement. The information is provided to assist in preparation of the statements and to aid in being consistent in their use. (The School Administrator and Uniform Compliance Guidelines, Volume 138)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

Compliance

We have audited the compliance of the Metropolitan School District of North Posey County (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2005 and 2006. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 31, 2007

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553		\$ 12,777	\$ 13,842
National School Lunch Program	10.555		<u>111,679</u>	<u>129,950</u>
Total for Federal Grantor Agency			<u>124,456</u>	<u>143,792</u>
U.S. DEPARTMENT OF LABOR				
Pass-Through Indiana Vocational Technical College:				
Employment Services and Job Training-Pilot and Demonstration Programs Lead the Way	17.249		<u>4,345</u>	<u>2,089</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Metropolitan School District of Mt. Vernon:				
Special Education Cluster:				
Special Education-Grants to States:	84.027			
FY 03-04			111,872	-
FY 04-05			227,732	52,558
FY 05-06			-	231,628
FY 04-05 Behavioral			41,946	7,031
FY 05-06 Behavioral			<u>-</u>	<u>39,381</u>
Total for Program			<u>381,550</u>	<u>330,598</u>
Special Education-Preschool Grants:	84.173			
FY 04-05			30,483	2,464
FY 05-06			<u>351</u>	<u>23,944</u>
Total for Program			<u>30,834</u>	<u>26,408</u>
Total for Cluster			<u>412,384</u>	<u>357,006</u>
Pass-Through Indiana Department of Education:				
Title I Grants to Local Educational Agencies:				
FY 04-05	84.010		88,412	-
FY 05-06			<u>1,204</u>	<u>79,374</u>
Total for Program			<u>89,616</u>	<u>79,374</u>
Vocational Education-Basic Grants to States:				
High Schools That Work:	84.048			
FY 03-04		04-1303-6600	2,299	201
FY 04-05		04-1303-6600	34	2,465
FY 05-06		05-1303-6600	<u>-</u>	<u>966</u>
Total for Program			<u>2,333</u>	<u>3,632</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued):				
Safe and Drug Free Schools and Communities-State Grants:				
FY 04-05	84.186	01-032	6,984	4,032
FY 05-06		04-210	<u>1,394</u>	<u>319</u>
Total for Program			<u>8,378</u>	<u>4,351</u>
Pass-Through Indiana Department of Workforce Development:				
Tech-Prep Education:				
FY 05-06	84.243	TP-5-208	-	<u>26,969</u>
Pass-Through Indiana Department of Education:				
State Grants for Innovative Programs:				
FY 04-05	84.298	04-279	1,101	738
FY 05-06		05-092	<u>8,422</u>	<u>2,906</u>
Total for Program			<u>9,523</u>	<u>3,644</u>
Improving Teacher Quality State Grants:				
FY 04-05	84.367		-	15,197
FY 05-06			<u>63,756</u>	<u>47,338</u>
Total for Program			<u>63,756</u>	<u>62,535</u>
Total for Federal Grantor Agency			<u>585,990</u>	<u>537,511</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Youth Service Bureau, Incorporated:				
Block Grants for Prevention and Treatment of Substance Abuse:				
Afternoons ROCK	93.959		3,080	21
STARS Program			<u>12,724</u>	<u>7,825</u>
Total for Federal Grantor Agency			<u>15,804</u>	<u>7,846</u>
Total Federal Awards Expended			<u>\$ 730,595</u>	<u>\$ 691,238</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan School District of North Posey County (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>2005</u>	<u>2006</u>
Child Nutrition Cluster	<u>\$ 16,413</u>	<u>\$ 22,747</u>

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weaknesses identified? no
Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
Material weaknesses identified? no
Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2007, with John D. Wood, Superintendent of Schools; Larry Lewis, President of the School Board; Todd Camp, Assistant Superintendent of Schools; and Carol A. Lupfer, Treasurer. The officials concurred with our audit findings.

A separate phone exit conference was held individually with Board members, Kathy Mauck, Mike Baehl, Mark Seibert, and Steve Bender.